Supreme Court, U. S.
FILED
NOV 20 1978
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-676

THE HICKOK ELECTRICAL INSTRUMENT COMPANY,
Petitioner,

v.

TEKTRONIX, INC., THE UNITED STATES, JETRONIC INDUSTRIES, INC., and LAVOIE LABORATORIES, INC.
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Claims

BRIEF FOR TEKTRONIX, INC. IN OPPOSITION

JOEL R. FEIDELMAN
Suite 1000
600 New Hampshire Avenue, N.W.
Washington, D. C. 20037
(202) 342-3500

Of Counsel

JAMES B. CASTLES
N. ERIC JORGENSEN
HARVEY N. BERNSTEIN
JOSEPH J. PETRILLO
LAWRENCE R. SIDMAN

PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

INDEX

	Page
JURISDICTION	1
STATUTES INVOLVED	2
QUESTION PRESENTED	2
STATEMENT OF THE CASE	3
REASONS FOR DENYING THE PETITION	3
CONCLUSION	11
APPENDICES	1a

TABLE OF AUTHORITIES

CASES:

Calhoun v. *United States*, 197 Ct. Cl. 41, 453 F.2d 1385 (1972)	6
Deal v. *Cincinnati Board of Education*, 402 U.S. 962 (1971)	5
Department of Banking v. *Pink*, 317 U.S. 264 (1942)	5
Georgia-Pacific Corp. v. *U.S. Plywood—Champion Papers Inc.*, 446 F.2d 295, 170 U.S.P.Q. 269 (2d Cir.) *cert. denied*, 404 U.S. 870 (1971)	9
Pitcairn v. *United States*, 212 Ct. Cl. 168, 547 F.2d 1106 (1976), *cert. denied*, 98 S.Ct. 903 (1978)	6
Teague v. *Commissioner of Customs*, 394 U.S. 977 (1969)	5
Tektronix, Inc. v. *United States*, 213 Ct. Cl. 257, 552 F.2d 343 (1977)	6, 9
United States v. *Berdan Firearms Manufacturing Company*, 156 U.S. 552 (1895)	7
United States v. *Johnston*, 268 U.S. 220 (1925)	7

STATUTES:

28 U.S.C. § 1498	5, 10
28 U.S.C. § 1498(a)	2, 5
28 U.S.C. § 2101(c)	2, 3

REGULATIONS:

31 C.F.R. § 9-103	11

MISCELLANEOUS:

8 *Deller's Walker on Patents* § 745 (1973)	6

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-676

THE HICKOK ELECTRICAL INSTRUMENT COMPANY,
Petitioner,

v.

TEKTRONIX, INC., THE UNITED STATES, JETRONIC INDUSTRIES, INC., and LAVOIE LABORATORIES, INC.
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Claims

---

BRIEF FOR TEKTRONIX, INC. IN OPPOSITION

JURISDICTION

The Court of Claims entered judgment in this case on April 19, 1978. A motion for rehearing filed by the United States was denied on May 26, 1978.

Petitioner neither requested nor received an extension of time for filing. The petition was ultimately filed on October 20, 1978, more than 90 days after entry of judgment and also more than 90 days after denial of the Government's motion for rehearing. Since the

petition is untimely, this Court lacks jurisdiction. *See* Reasons for Denying the Petition, *infra*.

STATUTES INVOLVED

Petitioner has set forth the pertinent patent infringement statute involved in this case, but the citation to that statute is incorrect. The citation should read 28 U.S.C. § 1498(a).

Also relevant to this petition, however, is 28 U.S.C. § 2101(c), set forth below:

> (c) Any other appeal or any writ of certiorari intended to bring any judgment or decree in a civil action, suit or proceeding before the Supreme Court for review shall be taken or applied for within ninety days after the entry of such judgment or decree. A justice of the Supreme Court, for good cause shown, may extend the time for applying for a writ of certiorari for a period not exceeding sixty days.

QUESTION PRESENTED

Petitioner's statement of the question presented suggests that the Court of Claims ignored certain evidence. However, the court below did not ignore, but rather merely discounted such evidence. Thus, the question presented would more properly be phrased:

> Whether the Court of Claims gave proper weight to certain cross-licensing agreements entered into between the patent holder and other parties in the determination of "reasonable and entire compensation" under 28 U.S.C. § 1498(a).

STATEMENT OF THE CASE

Tektronix does not agree with a number of assertions made by petitioner in its statement of the case. Most of these assertions, however, are not pertinent to the petition now before the Court and, therefore, will not be corrected here. To the extent that the disputed statements are germane, they will be discussed *infra*.

REASONS FOR DENYING THE PETITION

I. THE PETITION HAS BEEN FILED OUT OF TIME AND, ACCORDINGLY, THIS COURT LACKS JURISDICTION.

The Court of Claims entered judgment for Tektronix in the amount of $4,238,307, plus delay compensation, on April 19, 1978. On May 26, 1978, the Court of Claims denied a motion for rehearing filed by the United States.

The Solicitor General twice moved for 30-day extensions of time for the filing of a petition for a writ of certiorari, and twice the Court granted the requested extensions. (App. A through D.) Thus, the deadline for the United States to file its petition, as extended by the Court, was October 23, 1978. The Solicitor General, however, elected not to petition for a writ of certiorari on behalf of the Government.

Petitioner applied for a writ of certiorari on October 20, 1978. The petition was filed more than 90 days after entry of final judgment and, indeed, also more than 90 days after denial of the Government's motion for rehearing. Petitioner never requested or received an extension of time for filing and, accordingly, its petition is untimely under 28 U.S.C. § 2101(c).

As the Solicitor General's motions and the Court's orders clearly indicate, only the United States re-

quested time extensions, and only the United States received them. (App. A through D.) The orders signed by Justice Brennan extending the time for filing (App. B and D) denominate the United States as the sole Applicant and Tektronix and all third-party defendants—including Hickok—as Respondents.

Petitioner argues that, when the Court granted a time extension to the United States, it extended the time for filing for all parties—for all third-party defendants and, presumably for Tektronix as well.[1] This position is contrary to the rules of this Court. Rule 22(4) provides that any application for an extension of the time "must set forth with specificity the reasons why the granting of an extension of time is deemed justified." The Solicitor General justified his request for extension by noting that it was necessary "to consult further with interested government agencies to determine whether a petition for a writ of certiorari should be filed . . . ." This reason is irrelevant to petitioner's situation, and the rule clearly implies that each party must have its own justification for an extension. Since petitioner never conformed to Rule 22(4), it was never entitled to receive a time extension.

Similarly, Rule 34(2) treats requirements for an application "to extend the time within which a party may petition for a writ of certiorari. . . ." The wording of this rule clearly indicates that an extension is to be sought by, and granted to, an individual party. In this

[1] Petition for a Writ of Certiorari to the United States Court of Claims at 2. Petitioner claims to be filing for itself as well as on behalf of the United States. The petition is silent on when and how petitioner became authorized to apply for a writ of certiorari on behalf of the United States. In any event, this practice is violative of Rule 21(4).

case, the United States is the only party which applied for an extension of time.

Because petitioner did not receive an extension of time, and since it filed its petition more than ninety days after entry of the order denying rehearing, that petition is untimely. The decisions of this Court make clear that such tardiness is irremediable. Timely filing of the petition is a jurisdictional prerequisite to Supreme Court review of civil cases. *Deal* v. *Cincinnati Board of Education,* 402 U.S. 962 (1971); *Teague* v. *Commissioner of Customs,* 394 U.S. 977 (1969); *Department of Banking* v. *Pink,* 317 U.S. 264, 268 (1942). Thus, the petition must be denied.

II. THE CASE RAISES NO SUBSTANTIAL QUESTION CONCERNING COMPUTATION OF "REASONABLE AND ENTIRE COMPENSATION" UNDER 28 U.S.C. § 1498.

A. The Question of an "Established" Royalty for the Patents at Issue Was Conceded by Petitioner Below and Cannot Be Raised Now.

The petition argues that the opinion of the Court of Claims departs "from the long standing rule that the actual terms of license agreements of the same patents as are involved in suit is the best standard to determine what is 'reasonable and entire' compensation under 28 U.S.C. § 1498(a)."[2] Petitioner, however, misstates the applicable law and thus what the court below actually held.

The applicable rule, correctly stated, is that, where a patentee *establishes* a royalty rate for his patent, that rate is the appropriate measure of damages for private

[2] Petition at 6.

patent infringement or of "reasonable and entire compensation" in the case of infringement suits against the Government. *See, e.g., Pitcairn* v. *United States*, 212 Ct. Cl. 168, 183-87, 547 F.2d 1106, 1114-119 (1976), *cert. denied*, 98 S.Ct. 903 (1978); *Calhoun* v. *United States*, 197 Ct. Cl. 41, 55-56, 453 F.2d 1385, 1393-94 (1972); 8 *Deller's Walker on Patents* § 745 (1973).

The question of whether there was an "established" royalty rate, though, is foreclosed in this case. As the Court of Claims pointed out, "[t]he parties are in agreement that plaintiff has no established licensing program or royalty applicable to the patents in this accounting."[3] Since petitioner conceded that point below, it cannot reopen the issue here through a petition for a writ of certiorari.

E. The Case Does Not Present the Question Posed by the Petition.

Since there is no proper dispute on the established royalty issue, petitioner's real complaint concerns how the Court of Claims viewed a part of the evidence. The petition argues that the court below ignored certain

---

[3] *Tektronix, Inc.* v. *United States*, 213 Ct. Cl. 257, 262, 552 F.2d 343, 346 (1977), Petition at 4a. The Court added in a footnote to this sentence:

> The third parties have, for all practical purposes, embraced the position of defendant, so it is unnecessary to discuss their individual views. [*Id.*]

Moreover, the Court reinforced this statement in Finding of Fact No. 5:

> The few instances in which plaintiff did enter into licenses, and the unique circumstances surrounding those licenses, lead to the conclusion that plaintiff has no discernable licensing policy upon which this court can predicate a "reasonable royalty." Defendants concede this to be the fact. [*Id.* at 30., Petition at 44a.]

license agreements involving the relevant patents. It is perfectly clear from the opinion below that the Court of Claims *did* review the same license agreements. However, the Court also decided that these agreements were not a sufficient or adequate basis upon which to base a determination of what an appropriate royalty would be.

C. The Evidentiary Question Raised by Petitioner Does Not Warrant Issuance of the Writ.

The Supreme Court has stated repeatedly that "we do not grant certiorari to review evidence and discuss specific facts." *United States* v. *Johnston*, 268 U.S. 220, 227 (1925). This principle has been applied, of course, to cases arising in the Court of Claims. Thus, in *United States* v. *Berdan Firearms Manufacturing Company*, 156 U.S. 552 (1895), the Supreme Court affirmed the Court of Claims determination of a reasonable royalty, stating as follows:

> . . . [T]he question of a reasonable royalty is a question of fact to be determined by the Court of Claims, and its determination, as expressed in its findings, is conclusive upon us, unless from other findings it is apparent that there was error. [*Id.* at 573.]

The petition seeks to entangle this Court in just such a reassessment of the record below. Such an exercise is unnecessary, however, because the Court of Claims assessed the license agreements properly as evidence and justifiably assigned them little weight.

D. The Court of Claims Correctly Weighed the Evidence Before It.

The issue presented by petitioner is simply whether the Court of Claims properly weighed the license agreements as evidence.[4] A brief examination of the nature of license agreements, and of the opinion of the Court of Claims, demonstrates that no error arose below.

It is important to note, as petitioner concedes, that the royalties due under the cross-license agreements were payable only from Tektronix to Western Electric or RCA, as the case might be. Petition at 7. In other words, the one to one-and-one-half percent royalties mentioned by petitioner would be paid to Western Electric or RCA in return for actual practice by Tektronix of their respective patents. The license granted by Tektronix in its patents was royalty-free. So in return for granting a royalty-free license in certain of its patents, and for payment of a nominal royalty, Tektronix was licensed to practice many patents held by Western Electric and RCA.[5]

The Court of Claims, therefore, did not find these royalties persuasive evidence of what amounts Tektronix should receive as "reasonable and entire compensation":

> The Government's proposal is rejected because the evidence on which it is premised is not at all analogous to the facts here. Defendant relies on the licensing programs of RCA and Western Electric but it seems clear that plaintiff—which was not a company comparable in size to those corporate giants, nor possessed of either a comparable patent portfolio or a comparable product line, nor under the spur of an anti-trust decree—should not be governed by the same considerations. Items such as transistors, tubes, and similar electronic components are comparatively simple in structure, have a relatively low per-unit cost, and are sold and used in very large quantities. Plaintiff's oscilloscopes, on the other hand, are much more complex, have a much higher per-unit cost, and the quantities sold are much lower. Moreover, the evidence is that during the 1960's, plaintiff was realizing on its commercial sales an average profit of 23.7% on the 535 scope and 27.7% on the 545 scope, those figures reflecting plaintiff's margin on these products after both direct and indirect costs had been considered. In view of those figures, defendant's suggestion that plaintiff should be forced to accept a declining royalty starting at 1½% for its inventions could not, without the greatest difficulty, be accepted as just compensation for use of the patents.[6]

Thus, it is evident that the Court of Claims examined the license agreements and gave them the evidentiary weight they deserved. Having found the license agreements in question an inadequate basis for computing a royalty, the Court of Claims engaged in a careful and complex review of the record, applying the principles enunciated in *Georgia-Pacific Corp.* v. *U.S. Plywood-Champion Papers Inc.*, 446 F.2d 295, 170 U.S.P.Q. 269 (2d Cir.), *cert. denied*, 404 U.S. 870 (1971).

---

[4] As noted above, the parties have agreed that these agreements did not give rise to an "established royalty."

[5] Tektronix does not entirely agree with petitioner's characterization of these agreements, but it adopts that characterization for the purpose of arguing this point.

[6] *Tektronix, Inc.* v. *United States, supra*, 213 Ct. Cl. at 266, 552 F.2d at 348, Petition at 8a (footnote omitted).

Thus, the Court of Claims regarded the state of the record before it and chose the recognized technique of legal analysis best suited to the case. No error took place below.

E. The Question Presented Is Not of Sufficient Precedential Value Because the Decision Below Turned on Specific Facts.

The petition recites that the decision of the Court of Claims, if permitted to stand, will "seriously disrupt" the Government contracting process.[7] The crux of this argument is that the decision below fixes a 10% royalty rate for patent infringement in all actions brought against the Government under 28 U.S.C. § 1498. Such a rate, petitioner contends, is so high that firms which must indemnify the Government for patent infringement will be discouraged from bidding or will be subjected to unacceptable liability if they do bid.

This argument rests on a faulty premise. Even a cursory reading of the Court of Claims opinion indicates that the 10% royalty rate is rooted in the particular facts of this case. The Court of Claims did not establish a royalty rate for future cases under 28 U.S.C. § 1498, nor did it purport to establish such a rate.[8]

In any event, the consequences to third-party infringers are irelevant to the computation of "reasonable and entire compensation" under 28 U.S.C. § 1498.

---

[7] Petition at 8. At least as evidenced by the Solicitor General's failure to file a like petition, the Government does not seem to agree.

[8] Even if the Court of Claims were to establish some sort of blanket royalty rate for patent infringement against the Government, such a practice, although questionable as a matter of jurisprudence, would not disrupt Government contracting activity. Bidders would merely take such a rate, however high, into account in formulating their prices.

Those consequences stem, in this case, from the policies of the Department of Defense with respect to indemnification for patent infringement. The regulations expressing these policies spell out the circumstances where the Department will ordinarily require an indemnification clause and also provide that use of the clause, even when customary, can be waived for any patent or patents. 31 C.F.R. § 9-103.

Petitioner questions the Government's policies in requiring and enforcing patent indemnification clauses. As such, its arguments are more appropriately addressed to officials in the Executive Branch. In any event, such policies are not appropriate for consideration by the Court in the context of this case. Moreover, the question of whether, and to what extent, petitioner must indemnify the United States is not ripe for adjudication.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

JOEL R. FEIDELMAN
600 New Hampshire Avenue, N.W.
Suite 1000
Washington, D. C. 20037
(202) 342-3500

Of Counsel

JAMES B. CASTLES
N. ERIC JORGENSEN
HARVEY N. BERNSTEIN
JOSEPH J. PETRILLO
LAWRENCE R. SIDMAN

APPENDIX

APPENDIX A

IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1978

UNITED STATES OF AMERICA, *Applicant*

v.

TEKTRONIX, INC., ET AL.

Application for an Extension of Time Within Which to Petition for a Writ of Certiorari

The Solicitor General hereby applies for an extension of thirty days, to and including September 23, 1978, within which to file a petition for a writ of certiorari to review the judgment of the Court of Claims in this case.

The Court of Claims entered its judgment on April 19, 1978, and denied a timely petition for rehearing on May 26, 1978. Accordingly, unless extended, a petition for a writ of certiorari to review the judgment must be filed by August 24, 1978. The jurisdiction of this Court would be invoked under 28 U.S.C. 1255(1). Copies of the court's opinion of April 19, 1978 and an earlier opinion in the case, decided March 23, 1977, are attached.

In this case, Tektronix, Inc. sued the United States for infringing patents on oscilloscopes that the United States purchased from three other companies from 1959 to 1969. That the patents were infringed is no longer in dispute; the only issues concern the assessment of the compensation due to Tektronix. The Court of Claims awarded $4,238,307 plus $491.66 per day from January 1, 1977, until payment, on the basis of its determinations that (1) Tektronix could have negotiated a 10 percent royalty with a hypothetical licensee and that its compensation should be based on that royalty, (2) that the royalty should be applied to prices paid by the United States for both the patented oscilloscopes and unpatented accessories, because the accessories were economically dependent on the oscilliscope market,

and (3) that the United States should pay additional damages for delay from the date of infringing use to the date of payment to be calculated on the basis of the average interest rate of long-term corporate bonds for each four-year period from 1956 to the present. Each of these three issues appears to be novel and important.

The additional time is needed to consult further with interested government agencies to determine whether a petition for a writ of certiorari should be filed, and, if it is authorized, to prepare and print the petition.

Respectfully submitted.

WADE H. MCCREE, JR.
Solicitor General

AUGUST 1978.

APPENDIX B

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, D. C. 20543

August 17, 1978

The Honorable Wade H. McCree, Jr.
Solicitor General of the United States
Department of Justice
Washington, D.C. 20530

Re: United States v. Tektronix, Inc., et al. A-179

Dear Mr. McCree:

Your application for an extension of time in which to file a petition for a writ of certiorari in the above-entitled case has been presented to Mr. Justice Brennan in the absence of the Chief Justice.

Justice Brennan has signed an order on August 16, 1978 extending your time to and including September 23, 1978. A copy of the Justice's order is enclosed.

Very truly yours,

MICHAEL RODAK, JR., Clerk

By

TIMOTHY J. ALUISE
Assistant Clerk

SUPREME COURT OF THE UNITED STATES

No. A-179

UNITED STATES, *Petitioner,*

v.

TEKTRONIX, INC., ET AL.

Order Extending Time to File Petition for a Writ of Certiorari

UPON CONSIDERATION of the application of counsel for petitioner(s),

IT IS ORDERED that the time for filing a petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including September 23, 1978.

/s/ WM. J. BRENNAN, JR.
Associate Justice of the Supreme Court of the United States

Dated this 16

day of August, 1978

APPENDIX C

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1978

UNITED STATES OF AMERICA, *Applicant*

v.

TEKTRONIX, INC., ET AL.

Application for a Further Extension of Time Within Which to Petition for a Writ of Certiorari

The Solicitor General hereby applies for a further extension of thirty days, to and including October 23, 1978, within which to file a petition for a writ of certiorari to review the judgment of the Court of Claims in this case.

The Court of Claims entered its judgment on April 19, 1978, and denied a timely petition for rehearing on May 26, 1978. On August 16, 1978, Mr. Justice Brennan signed an order granting an application for an extension of thirty days, to and including September 23, 1978, within which to file a petition for certiorari. The jurisdiction of this Court would be invoked under 28 U.S.C. 1255(1). Copies of the court's opinion of April 19, 1978 and an earlier opinion in the case, decided March 23, 1977, were attached to our earlier application.

In this case, Tektronix, Inc. sued the United States for infringing patents on oscilloscopes that the United States purchased from three other companies from 1959 to 1969. That the patents were infringed is no longer in dispute; the only issues concern the assessment of the compensation due to Tektronix. The Court of Claims awarded $4,238,307 plus $491.66 per day from January 1, 1977, until payment, on the basis of its determinations (1) that Tektronix could have negotiated a 10 percent royalty with a hypothetical

licensee and that its compensation should be based on that royalty, (2) that the royalty should be applied to prices paid by the United States for both the patented oscilloscopes and unpatented accessories, because the accessories were economically dependent on the oscilloscope market, and (3) that the United States should pay additional damages for delay from the date of infringing use to the date of payment to be calculated on the basis of the average interest rate of long-term corporate bonds for each four-year period from 1956 to the present. Each of these three issues appears to be novel and important.

The additional time is needed to consult further with interested government agencies to determine whether a petition for a writ of certiorari should be filed, and, if it is authorized, to prepare and print the petition.

Respectfully submitted.

WADE H. MCCREE, JR.,
Solicitor General.

SEPTEMBER 1978.

APPENDIX D

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, D.C. 20543

September 19, 1978

The Honorable Wade H. McCree, Jr.
Solicitor General of the United States
Department of Justice
Washington, D.C. 20530

Re: United States v. Tektronix, Inc., et al. A-179

Dear Mr. McCree:

Your application for a further extension of time in which to file a petition for a writ of certiorari in the above-entitled case has been presented to Mr. Justice Brennan who, on September 18, 1978, signed an order further extending your time to and including October 23, 1978.

A copy of the Justice's order is enclosed.

Very truly yours,

MICHAEL RODAK, JR., *Clerk*
By

FRANCIS J. LORSON
Deputy Clerk

SUPREME COURT OF THE UNITED STATES

No. A-179

UNITED STATES, *Petitioner,*

v.

TEKTRONIX, INC., *et al.*

Order Further Extending Time to File Petition for Writ of Certiorari

UPON CONSIDERATION of the application of counsel for petitioner(s),

IT IS ORDERED that the time for filing a petition for writ of certiorari in the above-entitled cause be, and the same is hereby, further extended to and including October 23, 1978.

/s/ WM. J. BRENNAN, JR.
Associate Justice of the Supreme Court of the United States

Dated this 18th

day of September, 1978.